

DAVIS LANGDON PKS SAY DIRECT CONSTRUCTION EMPLOYMENT HAS HALVED SINCE 2007 AND WILL FALL BY A FURTHER 40,000 THIS YEAR

Total construction estimated to be down by 23% in 2010

Government urged to spend full PCP investment in interests of jobs and future of construction industry

Direct employment in the construction industry has decreased by 130,000 jobs since 2007 – half the total in that year – and will decline by a further 40,000 in 2010 according to one of Ireland’s leading construction consultancy firms Davis Langdon PKS (DLPKS), which is celebrating its 150th Anniversary this year.

In their Annual Review of the construction industry, DLPKS predict that the Irish construction industry will see a decline of approximately 23% in 2010. From a high of €38 billion in 2007, the construction industry is predicted to have reduced to the region of €19 billion in 2009 – a reduction of approximately 50%. DLPKS predict this will fall further to €14 billion in 2010.

According to DLPKS’s Managing Director, Norman Craig, direct construction employment totalled 260,000 in the second quarter of 2007.

“Today it stands in the region of 130,000. In addition, the numbers in indirect and induced employment arising from the construction industry is equivalent to the number directly employed and so there has been a corresponding number of job losses in indirect sectors and the wider economy as a result. With the industry output projected to fall by a further €5 billion this year there is a very real prospect of a further 40,000 job losses in the industry.”

Other key developments highlighted in the DLPKS Annual Review are:

- 16% reduction in tender prices in 2009 with a 6% decline expected in 2010. The cumulative impact of the reductions over the last three years is that Ireland has reverted to tender prices last seen in the late 1990s;
- Materials costs fell by 4.8% in 2009 – a long way short of the 16% decline in tender prices – and it is anticipated that these prices will start to rise in 2010;
- Strong warning issued about the significant risks for clients associated with accepting an abnormally low tender – these risks are worsened when costs are actually increasing – including contractors’ inability to complete projects;
- World construction output declined in 2009 by 5% and is expected to grow by less than 1% in 2010, with the strongest activity taking place in Asia.

Returning to the overall impact of the continued decline in construction, Norman Craig warned that if the industry continues to falter without support, we will see several construction firms folding along with the loss of highly specialised and qualified workers which will delay or harm the recovery of the construction sector and the wider economy. In this context, Mr Craig said that the future strength of the Irish construction industry and the protection of skilled jobs is

dependent on the Government spending its full allocation on the Public Capital programme (PCP) during 2010.

“The PCP has been heavily hit by the recent budget which saw a €1 billion reduction in spending. However, a more realistic measure of how things have changed is to look back at 2008 when the PCP was circa €9 billion and the estimation for 2010 at that stage was €9.1 billion. So the 2010 €6.5 billion allocation is €2.6 billion less than what was previously budgeted for only a short time ago and this year it will account for approximately 45% of overall industry output projected in 2010.

“It is imperative for the construction industry, when we have seen such a dramatic cut in public capital expenditure coupled with a near standstill in private sector investment, that the PCP delivers on spending its full allocation. If this is achieved it will help to slow down the huge numbers joining the dole queues every week and also help Government to provide much needed public infrastructure at incredible value for money.”

Norman Craig urged Government, in addition to delivering on the capital funding as outlined in the recent budget to look at other support measures.

“We believe the industry has a significant role to play in the recovery of our economy, and request the Government to reconsider the introduction of stimulus measures that have been suggested by the CIF and professional bodies, including the Society of Chartered Surveyors (SCS).”

Mr Craig also echoed the recent call by the SCS calling on the Government to appoint a Chief Adviser to head a new Construction Industry Consultative Council. This body would be tasked with promoting a sustainable industry over the medium to long term.

He concluded by stating that NAMA may present some opportunities for the construction industry in the coming years, particularly in the planning area, and that this should not be missed in rectifying the oversights of the past. “There are useful lessons to be learned in this regard from other countries like the Netherlands, where Active Land Management is practiced by the state. This may be helpful in the delivery of vital social infrastructure such as schools, healthcare facilities and social and affordable housing,” said Mr Craig.

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